

**MEMORANDUM**

November 20, 2008

TO: County Council  
FROM: *CHP*  
Charles H. Sherer, Legislative Analyst  
SUBJECT: Recommendation from the Education Committee regarding the FY09 Savings Plan for Montgomery College

**SUMMARY OF COMMITTEE RECOMMENDATIONS** On November 20, the Education Committee reviewed the Executive's recommended FY09 Savings Plan for Montgomery College.

The Executive recommended savings in the amount of \$2,636,364, calculated as 2.5% of the County contribution (©2 and ©46). The Committee noted that the College projects shortfalls in revenue from the State, from tuition & fees, from interest income, and from lease income. As a result, the College would, or might, have to reduce its FY09 budget by an additional \$4,924,403, for a total reduction of \$7,560,767, with the Executive's recommendation. The State has already cut aid by \$1.2 million, and the College is bracing for a second cut in the same amount.

College staff told the Committee that they expected the Executive to recommend a savings of 2.0%, not 2.5%. They noted that they are looking for long term rather than one-time savings, and that they are considering trying to reopen the collective bargaining agreements, just like the other agencies. They hope the College would never have to restrict enrollment.

**Because of the other reductions the College will have to make, the Committee recommends savings in the amount of \$2,109,091, calculated as 2.0% of the County contribution (©2 and ©46).** The Committee's recommended savings are \$527,273 less than the Executive recommended. The Committee was concerned that even this lesser reduction would adversely impact the students. The College would, or might, still have to reduce its FY09 budget by an additional \$4,924,403, for a total reduction of \$7,033,494. See ©48 for detail.

The Committee agrees with the College's proposal to save \$280,000 by not funding the Campus Connector between the Takoma Park and Rockville campuses, as described below.

**Background** As Councilmembers know, Executive staff project an operating budget gap in FY10 of \$250 million. To help eliminate that gap, the Executive proposed a \$49.2 million savings plan in FY09 in his memorandum to the Council dated November 13, 2008 (©1-2). He also noted that the projected gap may increase in the near future, and that an additional savings plan may be necessary in this fiscal year. If the \$49.2 million savings plan can be achieved, then reserve at the end of FY09 will presumably be that much higher than it would have been without the savings plan.

The Executive recommends savings from the College of \$2.6 million, calculated as 2.5% of the County contribution (©2 and ©46). However, the College will or may have to reduce its FY09 spending by an additional \$4.9 million, for a total reduction of as much as \$7.6 million, because of other shortfalls in revenue as shown on ©48. If the College does not reduce its spending by the same amount as its revenue shortfall, then the College will not be contributing to the savings plan, and will instead cause the ending reserve to be less than budgeted, not more.

The table on ©48 also shows that the College routinely spends less than its budget. College staff states that "The College typically reserves about \$3.5 million to contribute to the fund balance to fund budgets two years out". The FY09 savings of \$7.0 million with the Committee's recommended reduction is 3.3% of the College's FY09 budget. This is more than the 2.7% six-year average from FY03-08, but less than the 3.6% savings in FY04, and less than the 4.7% savings in FY03.

The elements of the College's savings plan are on ©49-50, which addresses the \$2.6 million savings that the Executive suggested. College staff told Council staff that they never stopped the savings plan they initiated in FY08 and that they will also save the additional amounts needed to offset the other revenue shortfalls noted on ©48.

As ©48 shows, the latest estimate of credit hour enrollment in FY09 is 9,518/1.9% less than the enrollment on which the FY09 budget was based, which will facilitate FY09 savings. However, College staff notes that the only savings associated with this enrollment shortfall is in part-time faculty, in the amount of roughly \$0.5 million. Also, there is a \$1.6 million revenue shortfall resulting from the enrollment shortfall.

**Campus Connector** The College proposes that part of its savings will be the \$280,000 the Council approved for the Campus Connector between the Takoma Park and Rockville campuses (©49). College staff explained that the bids came in around \$450,000, which is way over the budgeted amount, partly because of the larger-than-expected increase in fuel costs. Also, there are too few students to justify the additional cost.



OFFICE OF THE COUNTY EXECUTIVE  
ROCKVILLE, MARYLAND 20850

Isiah Leggett  
County Executive

MEMORANDUM

November 13, 2008

TO: Michael J. Knapp, Council President

FROM: Isiah Leggett, County Executive

SUBJECT: FY09 Savings Plan

Attached please find my Recommended FY09 Savings Plan for Montgomery County Government, as well as the other tax supported County Agencies. The attached plan identifies savings of nearly \$50 million from the current year that will be applied to close the projected gap of over \$250 million in FY10. We have worked to identify savings that could be realized without severely impacting direct services, especially to public safety and our most vulnerable residents. However, some service reductions are unavoidably included in the attached proposed plan.

As in the past, the Council may not be supportive of some of my proposed reductions. If the Council insists on not supporting the attached proposed reductions, I strongly recommend that it propose offsetting reductions in other areas of the budget to maintain the total amount of savings that can be used to close the projected FY10 budget gap. Deferring needed savings at this time will only temporarily postpone the urgent need to make difficult choices in the future. In fact, the less time in which agencies have to make the necessary reductions, the deeper and more difficult those reductions will need to be to achieve the same savings. Resolution of the budget gap is problematic because even more difficult and complex issues will need to be addressed during the Council's short time for reviewing and approving the annual budget. And as I have made clear, I do not support and will not recommend exceeding the charter limit on property taxes in the FY10 operating budget.

Because of the very serious nature of the current economy, I urge the Council to quickly approve the reductions proposed in the attached Savings Plan. The projected gap for FY10 may significantly worsen in the near future because of continued volatility in the financial markets and the very real potential for further and substantive reductions in State Aid. We have already absorbed cuts of over \$21 million in State Aid losses between FY09 and FY10 and we understand that further reductions are planned for this fiscal year. Under these circumstances, it is quite likely that further current year spending reductions will be necessary.

The attached plan includes proposed targets for Montgomery County Public Schools (MCPS), the Maryland-National Capital Park and Planning Commission (M-NCPPC), the Housing Opportunities Commission (HOC), and Montgomery College (the College). My staff have been in contact with the fiscal teams of each of these agencies and discussed feasible and attainable spending

Michael J. Knapp, Council President  
November 13, 2008  
Page 2

reduction targets. However, with the exception of HOC, we have not received a specific spending reduction plan from any agency that has been approved by the appropriate governing body.

I recommend a savings target of 1% for MCPS which would produce savings of approximately \$19.4 million. As the chart below indicates, the MCPS operating budget accounts for nearly 55% of the tax supported budget, but a 1% target would contribute a little over 39% to the total savings plan target. The percentage reduction for the other agencies is significantly higher.

As you know, we are actively engaged in discussions with our employee representatives on economic terms of the existing labor contracts. Even assuming these talks have a successful outcome and that the Council approves the proposed savings plan of \$50 million, we still have a sizeable gap remaining for FY10. In addition, failure to approve the Emergency Medical Services Transport Fee will necessitate further reductions to other vital programs and services to maintain fire and rescue services.

I strongly urge the Council to expedite its review and approval of the attached Savings Plan, so that the necessary actions can be implemented as soon as possible. My staff is available to assist the Council in its review of the attached proposal. Thank you for your support of our efforts to preserve our most important services while preserving the fiscal health of the County Government.

#### **Executive Recommended FY09 Savings Plan**

	<b>Tax Supported Approved FY09 Budget</b>	<b>Executive Recommended Savings Plan Target</b>	<b>Agency as % of Total Budget</b>	<b>Target as % of Total Savings Plan'</b>	<b>Savings Plan Target as % of Budget</b>
MCG	1,279,432,930	24,747,160	36.2%	50.3%	1.93%
MNCPPC	106,424,200	2,479,340	3.0%	5.0%	2.33%
MCPS	1,936,956,571	19,369,566	54.8%	39.3%	1.00%
College	212,357,803	2,636,364	6.0%	5.4%	1.24%
<b>Total</b>	<b>3,535,171,504</b>	<b>49,232,430</b>			<b>1.39%</b>

#### **Notes:**

- 1 Amounts above excludes Debt Service
- 2 For MCPS, The Executive Recommends a target of 1% of the MCPS appropriation or \$19.4 million.
- 3 The College and MNCPPC have not formally committed to an FY09 savings plan or specified how those reductions may be achieved.
- 4 The College has indicated that a savings plan target of 2% of Local Contribution or \$2 million is appropriate in light of recent State Aid reductions approved by the Board of Public Works in October 2008.

Ref No.	Title	\$	Revenue
<b>MC Current Fund</b>			
<b>Montgomery College</b>			
S1A	REDUCE: LOCAL COUNTY CONTRIBUTION FOR COLLEGE BY 2% [FY09 BASE \$105,454,553]	-2,109,091	0
S1B	REDUCE: LOCAL COUNTY CONTRIBUTION FOR COLLEGE BY ADDITIONAL 0.5% [TOTAL OF 2.5% - WITH 1A - ON FY09 BASE \$105,454,553]	-527,273	0
MC Current Fund Total:		-2,636,364	0
MC Tax Supported Total:		-2,636,364	0
Net Savings:		-2,636,364	
(Total Exp. Savings & Revenue Changes)			
MC Total:		-2,636,364	0
MC FY09 Net Savings		-2,636,364	
(Total Exp. Savings & Revenue Changes)			

MONTGOMERY COLLEGE

Data provided by the College's Office of Budget

Schedule of Tax Supported Funds Budget and Actual Expenditures FY03 to FY08

**I. Expenditures**

Fiscal Year	Budget	Actual	Savings	Savings as % of Budget
FY03	136,637,705	130,225,861	6,411,844	4.7%
FY04	147,052,842	141,691,666	5,361,176	3.6%
FY05	151,458,164	149,329,384	2,128,780	1.4%
FY06	164,379,763	160,427,819	3,951,944	2.4%
FY07	180,167,038	177,831,940	2,335,098	1.3%
FY08	197,417,872	192,057,100	5,360,772	2.7%
Average				2.7%
<b>FY09 savings</b>				
FY09 State, 1st cut	212,357,803		1,224,403	0.6%
FY09 State, possible 2nd cut	212,357,803		1,200,000	0.6%
Decrease tuition & fees from lower than projected enrollment	212,357,803		1,600,000	0.8%
Other decreased revenue (less income from interest & rent)	212,357,803		900,000	0.4%
FY09 County savings plan, ED recommendation	212,357,803		2,109,091	1.0%
FY09 Total	212,357,803		7,033,494	3.3%

**SUMMARY**

County savings plan	2,109,091
Non-County savings required because of other revenue shortfalls	4,924,403
Total savings	7,033,494

**II. Enrollment in credit hours**

Fiscal Year	Budget	Actual	Over (Under) Budget	
			#	%
FY03	419,535	415,189	(4,346)	(1.0)%
FY04	426,078	419,374	(6,704)	(1.6)%
FY05	427,201	429,962	2,761	0.6 %
FY06	440,194	434,806	(5,388)	(1.2)%
FY07	453,490	452,322	(1,168)	(0.3)%
FY08	467,378	471,006	3,628	0.8 %
FY09	497,341	487,823	(9,518)	(1.9)%

FY09 "actual" enrollment is the estimate based on fall 2008 enrollment.



Office of the President

November 13, 2008

The Honorable Michael Knapp, President  
Montgomery County Council and  
Members of the Montgomery County Council  
Stella B. Werner Council Office Building  
100 Maryland Avenue  
Rockville, Maryland 20850

Dear Mr. Knapp and Members of the Montgomery County Council:

Montgomery College understands the difficult financial situation facing both the State and the County. We will do our part to meet the FY09 Budget Savings target that the County has set for the College in the amount of \$2,109,091, which is two percent of our County support for the tax-supported funds.

To attain this target we have done the following:

- Continued a three-month or more hiring delay on all vacant positions. Many of these positions will not be filled this fiscal year and a hiring freeze is being considered for all but essential positions.
- A deferral of all major purchases and contracts that are not essential to the maintenance of the services we offer our students. All relevant resolutions proposed for action by the Board of Trustees will be carefully scrutinized by the President's Executive Council to determine if they are mission critical. This executive review will be guided by an abiding commitment to fiscal restraint and service to our students.
- Designated that the \$280,000 that was earmarked for the Campus Connector service will be used for the savings program (with Council concurrence).
- Restrict long-distance travel unless noted as a special circumstance.

If we are asked to reduce an additional ½ percent (\$527,273) we will have to leave more positions vacant. Please keep in mind that our FY09 State aid was just reduced by \$1.5 million (\$1,224,403 to the Current Fund) and that there is a strong possibility that this is just the first round of cuts by the State.

The Honorable Michael Knapp  
Members of the Montgomery County Council  
November 13, 2008  
Page 2

With these changes, Montgomery College expects to meet the target set by the County while still ensuring our students receive the education and support services they need. While the County faces a difficult challenge, we know that your focus will remain on best serving the residents and the students of Montgomery County. Thank you for your continued support of Montgomery College.

Sincerely,



Brian K. Johnson, Ed.D.  
President

cc: The Honorable Isiah Leggett  
Ms. Roberta F. Shulman, Chair, Montgomery College Board of Trustees



AGENDA ITEM #10A-2  
November 25, 2008  
**Action**

**MEMORANDUM**

November 21, 2008

TO: County Council

FROM: Essie McGuire, Legislative Analyst *McGuire*

SUBJECT: **FY09 Budget Savings Plan for the Montgomery County Public Schools**

**EDUCATION COMMITTEE RECOMMENDATION**

**The Education Committee recommends that the Council approve a savings plan contribution of \$3 million for MCPS at this time, with the expectation that MCPS will continue to work aggressively toward greater savings through the course of the fiscal year.**

Today the County Council will review the County Executive's recommended FY09 savings plan for the Montgomery County Public Schools (MCPS). The Council will also review the most recent MCPS financial report reflecting preliminary projections of the MCPS savings plan implemented in September. Representatives from County Government and from MCPS will be present to discuss these savings targets.

**As part of his total FY09 savings plan, the County Executive has recommended a savings target of \$19.4 million for MCPS (circles 1-3).** This represents one percent of the tax supported approved FY09 budget for the school system. Circle 2 notes that this amount would contribute approximately 39 percent of the Executive's total \$49.2 million savings target. MCPS' approved FY09 tax supported appropriation represents almost 55 percent of the total tax supported budget.

**The most recent MCPS financial report reflects financial conditions as of September 30 and projects an expenditure surplus of \$3 million for the fiscal year (circles 4-9).** This surplus reflects the savings plan that MCPS implemented in September of this year in response to increasing fiscal concerns.

## **MCPS Financial report**

The financial report is a preliminary projection, and at this point in the fiscal year it reflects incomplete data. While it encompasses three months of the fiscal year, it captures only one month of the school year expenditures.

The financial report anticipates the following **category surpluses**:

- *Category 1, Administration*: MCPS projects a surplus of \$1 million in this category due to the savings plan restrictions.
- *Category 2, Mid-level Administration*: MCPS projects a surplus of \$2 million in this category due to the savings plan restrictions.
- *Category 4, Textbooks*: MCPS projects a surplus of \$1 million in this category due to the savings plan restrictions.
- *Category 5, Other Instructional Costs*: MCPS projects a surplus of \$1 million in this category due to the savings plan restrictions.
- *Category 6, Special Education*: MCPS projects a surplus of \$2 million in this category due to the savings plan restrictions.
- *Category 11, Maintenance of Plant*: MCPS projects a surplus of \$300,000 in this category due to the savings plan restrictions.
- *Category 12, Fixed Charges*: MCPS projects a surplus of \$700,000 in this category due to lower than anticipated tuition reimbursements and FICA payments.

The financial report anticipates the following **category deficits**:

- *Category 3, Instructional Salaries*: MCPS projects a deficit of \$3 million in this category due to lower than anticipated lapse and turnover savings. This may also include projections of higher enrollment.
- *Category 9, Student Transportation*: MCPS projects a deficit of \$2 million in this category due to projected fuel costs.

The financial report projects **revenues on target** at this time.

## **Savings Plan Implementation**

On September 18, the Superintendent informed the Council that he was implementing a “comprehensive set of expenditure restrictions, including a hiring freeze”. His memorandum enclosed a memorandum from the Chief Operating Officer, Larry Bowers, which detailed the implementation of the restrictions. This implementation plan is very similar to the restrictions implemented for FY08.

On circle 13, the memorandum lists 11 types of positions that are exempted from the hiring freeze. These are the same categories as were exempted last year. During the Education Committee’s discussion of the FY08 savings plan, the Committee requested information on the proportion of total positions frozen. For FY08, the frozen positions represented approximately 68 percent of total positions; MCPS staff confirmed that the proportion for FY09 would be very close as the exemptions are essentially the same.

Frozen positions include classroom and other teachers, elementary assistant principals, counselors, and other school based positions. Most administrative positions are frozen, as are business and technology positions. Building service workers are frozen as are maintenance and mechanic positions.

### **Recent year-end savings**

In each of the past five fiscal years, MCPS has ended the year with a significant fund balance. For some of these years, the balance has been achieved deliberately through savings plans, such as in FY04 and again in FY08. For some years, the surplus is a result of unexpected factors, such as in FY05 and FY07 which both saw lower than expected enrollment.

The final year-end balance for the last five years is as follows (*these balances include both expenditures and revenues*):

FY08	\$17.9 million
FY07	\$12.3 million
FY06	\$7.4 million
FY05	\$14 million
FY04	\$10.3 million

For FY08, the September 30 financial report projected a deficit of \$1.3 million. For FY07, the September 30 report projected a surplus of \$2.4 million.

### **Factors that may affect savings**

For FY08, the school system's largest category deficits came in the categories of student transportation and special education. In this report, MCPS anticipates a potential deficit in transportation and a potential surplus in special education.

How these significant categories end the fiscal year will depend on many external factors. For transportation, the eventual cost of fuel is a clear determinant. While prices are relatively low at the moment, the school system projects an increase. The Federal Energy Information Administration (EIA) projects a significantly lower year average cost for diesel than it had in the previous month. The November projection for the year average for diesel is \$2.73 per gallon; in October, the year average forecast was \$3.91 per gallon for diesel. For special education, much depends on the type and number of non-public placements each year, as well as other service related costs.

The Education Committee has discussed the increased enrollment this year, with MCPS projecting over 1,600 students over last year and over budgeted levels. This may also affect the school system's capacity for savings, as these increases are absorbed across the system.

Revenue may be another significant factor. As noted, the financial report projects revenues to stay on target. However, the State has raised the issue of whether to take all or part of the Geographic Cost of Education Index (GCEI) funding as part of its own

savings effort. No action has been taken to date, but if additional reductions are required this funding could be in question. The total amount of GCEI funding for MCPS for FY09 is \$18.4 million.

In short, past history would indicate that MCPS has the potential to achieve significant savings with measures to restrict expenditures. However, the eventual outcome will be affected in large part by whether these cost factors remain favorable.

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Isiah Leggett  
County Executive

OFFICE OF THE COUNTY EXECUTIVE  
ROCKVILLE, MARYLAND 20850

MEMORANDUM

November 13, 2008

TO: Michael J. Knapp, Council President

FROM: Isiah Leggett, County Executive

SUBJECT: FY09 Savings Plan

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As in the past, the Council may not be supportive of some of my proposed reductions. If the Council insists on not supporting the attached proposed reductions, I strongly recommend that it propose offsetting reductions in other areas of the budget to maintain the total amount of savings that can be used to close the projected FY10 budget gap. Deferring needed savings at this time will only temporarily postpone the urgent need to make difficult choices in the future. In fact, the less time in which agencies have to make the necessary reductions, the deeper and more difficult those reductions will need to be to achieve the same savings. Resolution of the budget gap is problematic because even more difficult and complex issues will need to be addressed during the Council's short time for reviewing and approving the annual budget. And as I have made clear, I do not support and will not recommend exceeding the charter limit on property taxes in the FY10 operating budget.

Because of the very serious nature of the current economy, I urge the Council to quickly approve the reductions proposed in the attached Savings Plan. The projected gap for FY10 may significantly worsen in the near future because of continued volatility in the financial markets and the very real potential for further and substantive reductions in State Aid. We have already absorbed cuts of over \$21 million in State Aid losses between FY09 and FY10 and we understand that further reductions are planned for this fiscal year. Under these circumstances, it is quite likely that further current year spending reductions will be necessary.

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Michael J. Knapp, Council President

November 13, 2008

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reduction targets. However, with the exception of HOC, we have not received a specific spending reduction plan from any agency that has been approved by the appropriate governing body.

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As you know, we are actively engaged in discussions with our employee representatives on economic terms of the existing labor contracts. Even assuming these talks have a successful outcome and that the Council approves the proposed savings plan of \$50 million, we still have a sizeable gap remaining for FY10. In addition, failure to approve the Emergency Medical Services Transport Fee will necessitate further reductions to other vital programs and services to maintain fire and rescue services.

I strongly urge the Council to expedite its review and approval of the attached Savings Plan, so that the necessary actions can be implemented as soon as possible. My staff is available to assist the Council in its review of the attached proposal. Thank you for your support of our efforts to preserve our most important services while preserving the fiscal health of the County Government.

#### **Executive Recommended FY09 Savings Plan**

	<b>Tax Supported Approved FY09 Budget</b>	<b>Executive Recommended Savings Plan Target</b>	<b>Agency as % of Total Budget</b>	<b>Target as % of Total Savings Plan'</b>	<b>Savings Plan Target as % of Budget</b>
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College	212,357,803	2,636,364	6.0%	5.4%	1.24%
<b>Total</b>	<b>3,535,171,504</b>	<b>49,232,430</b>			<b>1.39%</b>

#### **Notes:**

- 1 Amounts above excludes Debt Service
- 2 For MCPS, The Executive Recommends a target of 1% of the MCPS appropriation or \$19.4 million.
- 3 The College and MNCPPC have not formally committed to an FY09 savings plan or specified how those reductions may be achieved.
- 4 The College has indicated that a savings plan target of 2% of Local Contribution or \$2 million is appropriate in light of recent State Aid reductions approved by the Board of Public Works in October 2008.

# FY09 Savings Plan

# MCPS Tax Supported

Ref No.	Title	Total \$	Revenue
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## MCPS Current Fund

### MCPS

#### Decrease Cost

S1	MCPS reductions to meet the savings plan target	-19,369,570	0
		-19,369,570	0
	MCPS	-19,369,570	0

	MCPS Tax Supported	-19,369,570	0
	Net Savings	-19,369,570	
	(Total Exp. Savings & Revenue Changes)	-19,369,570	

	MCPS Total:	-19,369,570	0
	MCPS FY09 Net Savings	-19,369,570	
	(Total Exp. Savings & Revenue Changes)	-19,369,570	

DISCUSSION

7.0

Office of the Superintendent of Schools  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

November 11, 2008

MEMORANDUM

To: Members of the Board of Education

From: Jerry D. Weast, Superintendent of Schools

Subject: Monthly Financial Report and Year-end Projections, as of September 30, 2008

This financial report reflects the actual financial condition of Montgomery County Public Schools (MCPS) as of September 30, 2008, and projections through June 30, 2009, based on program requirements and estimates made by primary and secondary account managers. At this time revenues are on target, while expenses have a projected surplus of \$3,000,000. Staff will continue to closely monitor both revenues and expenditures. A discussion of the actual financial condition of MCPS as of September 30, 2008, and projected revenues and expenditures through June 30, 2009, follows.

REVENUE

Total revenue is projected to be \$2,076,764,239. This amount is equal to the revised budgeted amount. Projected county, state, federal, and other revenues are described below.

**County**

The projected revenue from the county is \$1,513,177,816.

**State**

The projected revenue from the state is \$399,300,324.

**Federal**

The projected revenue from Impact Aid is \$230,000.

**Other**

The projected revenue from other sources is \$5,943,645.



**Appropriated Fund Balance**

The projected revenue from appropriated fund balance is \$17,927,455.

**Enterprise Funds**

The projected revenue from enterprise funds is \$54,733,813

**Supported Projects**

The anticipated revenue for supported projects is \$85,451,186. This estimate includes \$10,080,945 carried forward from FY 2008. Projects approved through September 30, 2008, have been assigned \$74,709,929.

**EXPENDITURES**

There is a projected surplus of \$3,000,000. Projected surpluses in Category 1, Administration; Category 2, Mid-level Administration; Category 4, Textbooks and Instructional Supplies; Category 5, Other Instructional Costs; Category 6, Special Education; Category 11, Maintenance of Plant; and Category 12, Fixed Charges are partially offset by deficits in Category 3, Instructional Salaries, and Category 9, Student Transportation. These projections are preliminary because they reflect data from only the first three months of the fiscal year and one full month of the school year.

As a result of increasing concerns about the fiscal outlook for the remainder of FY 2009, comprehensive expenditure restrictions were imposed on September 16, 2008, requiring account managers to make only absolutely necessary expenditures for the remainder of the fiscal year. Each account manager included the impact of these comprehensive expenditure restrictions with their expenditure projections for the remainder of the fiscal year. Based on a preliminary review of the expenditure projections, prior to evaluating requested exceptions, an estimate of how year-end expenditures will be reduced has been made. Savings identified and implemented according to the expenditure projections will be needed to offset projected deficits in some categories. These estimates have been incorporated into this monthly financial report.

The following provides an explanation for each of the categorical variations:

**Category 1 – Administration**

The projected surplus of \$1,000,000 in Category 1, Administration, is primarily the result of salary savings due to higher than anticipated lapse and turnover, resulting from the comprehensive expenditure restrictions imposed on September 16, 2008.

**Category 2 – Mid-Level Administration**

The projected surplus of \$2,000,000 in Category 2, Mid-Level Administration, is based on preliminary data from the first three months of the fiscal year and one full month of the school year. The projected surplus is primarily the result of salary savings due to higher than anticipated lapse and turnover, resulting from the comprehensive expenditure restrictions imposed on September 16, 2008. In addition, in the final Board action on the FY 2009 Operating Budget on June 10, 2008, the reduction of \$906,622 for 8 elementary intern positions was taken from Category 3 rather than Category 2, creating a surplus in this category.

**Category 3 - Instructional Salaries**

The projected deficit of \$3,000,000 in Category 3, Instructional Salaries, is based on preliminary data after one full month of the school year. The deficit is due to lower than anticipated salary lapse of turnover savings. In addition, adjustments to the position salary accounts for university partnerships were greater than the actual savings realized this year. Although exemptions have been granted for some instructional expenditures, the comprehensive expenditure restrictions imposed on September 16, 2008, are projected to increase projected salary lapse and turnover savings. The surplus in Category 2 as a result of the budget reductions for the elimination of eight intern positions is offset by a deficit of \$906,622 in Category 3.

**Category 4—Textbooks and Instructional Supplies**

The projected surplus of \$1,000,000 in Category 4, Textbooks and Instructional Supplies, is based on the effect of the comprehensive expenditure restrictions imposed on September 16, 2008. School allocations for textbooks and instructional supplies are exempt from the restrictions, but savings are projected in centrally purchased materials.

**Category 5—Other Instructional Costs**

The projected surplus of \$1,000,000 in Category 5, Other Instructional Costs, is based on the effect of the comprehensive expenditure restrictions imposed on September 16, 2008. The surplus is primarily a result of restrictions on furniture and equipment purchases and staff development activities.

**Category 6 – Special Education**

The projected surplus of \$2,000,000 in Category 6, Special Education, is a result of higher than anticipated position salary balances. The actual salaries of staff charged to Category 6 are lower than the budgeted average salary amounts. The primary reason for this is that salary lapse and turnover savings are greater than anticipated. In addition, savings in non-salary accounts have been generated as a result of the comprehensive expenditure restrictions imposed on September 16, 2008.

**Category 9 – Student Transportation**

The projected deficit of \$2,000,000 in Category 9, Student Transportation, is the result of higher than anticipated diesel fuel costs. The FY 2009 budgeted amount for diesel fuel per gallon is \$2.75. The present cost of diesel fuel is \$2.57 per gallon. However, prices are projected to increase.

**Category 11—Maintenance of Plant**

The projected surplus of \$300,000 in Category 11, Maintenance of Plant, is based on the comprehensive expenditure restrictions imposed on September 16, 2008. The projected surplus is the result of higher than anticipated salary lapse and turnover savings and other comprehensive expenditure restrictions.

**Category 12 – Fixed Charges**

The projected surplus of \$700,000 in Category 12, Fixed Charges, is based on preliminary data from the first three months of the fiscal year and one full month of the school year. The projected surplus is the result of lower costs for tuition in partnership programs and lower than anticipated social security (FICA) payments.

JDW:LAB:MCS:sz

Attachments

**MONTGOMERY COUNTY PUBLIC SCHOOLS**  
**Monthly Financial Report and Year-end Projections**  
**As of September 30, 2008**

**REVENUE**

Source	FY 2009 Original Budget	Revised Budget	Projection		Current Report Variance Over (Under) Revised Budget
			As of 9/30/2008	As of	
County	\$ 1,513,177,816	\$ 1,513,177,816	\$ 1,513,177,816	\$ -	\$ -
State	399,300,324	399,300,324	399,300,324		-
Federal	230,000	230,000	230,000		-
Other	5,943,645	5,943,645	5,943,645		-
Appropriated fund balance	17,927,455	17,927,455	17,927,455		-
Subtotal	1,936,579,240	1,936,579,240	1,936,579,240	-	-
Food Services	46,841,144	46,841,144	46,841,144		-
Real Estate Management	2,549,103	2,549,103	2,549,103		-
Field Trip	2,199,661	2,199,661	2,199,661		-
Entrepreneurial Activities	1,561,075	1,561,075	1,561,075		-
Instructional Television	1,582,830	1,582,830	1,582,830		-
Supported Projects	75,370,241	85,451,186 (a)	85,451,186		-
Total	<u>\$ 2,066,683,294</u>	<u>\$ 2,076,764,239</u>	<u>\$ 2,076,764,239</u>	<u>\$ -</u>	<u>\$ -</u>

Notes:

(a) Includes \$10,080,945 carried forward from FY 2008.

**MONTGOMERY COUNTY PUBLIC SCHOOLS**  
**Monthly Financial Report and Year-end Projections**  
**As of September 30, 2008**

**EXPENDITURES**

Category	Expenditures		Projected Expenditures 6/30/2009	Current Report Projected Year-end Balance	Prior Report Projected Year-end Balance	Variance Over (Under)	(a) Percentage
	Authorized Expenditures	Encumbrances 9/30/2008					
01 Administration	\$ 43,668,640	\$ 36,532,604	\$ 6,136,036	\$ 1,000,000	\$ -	\$ 1,000,000	2.29
02 Mid-level Administration	134,182,919	128,597,105	3,585,814	2,000,000	-	2,000,000	1.49
03 Instructional Salaries	811,781,075	778,524,779	36,256,296	(3,000,000)	-	(3,000,000)	(0.37)
04 Textbooks and Instructional Supplies	30,037,179	15,882,877	13,154,302	1,000,000	-	1,000,000	3.33
05 Other Instructional Costs	14,340,570	4,087,082	9,253,488	1,000,000	-	1,000,000	6.97
06 Special Education	244,972,018	224,645,775	18,326,243	2,000,000	-	2,000,000	0.82
07 Student Personnel Services	10,541,260	10,685,631	(144,371)	-	-	-	-
08 Health Services	57,502	19,007	38,495	-	-	-	-
09 Student Transportation	91,724,479	63,978,880	29,745,599	(2,000,000)	-	(2,000,000)	(2.18)
10 Operation of Plant and Equipment	114,803,301	73,405,726	41,397,575	-	-	-	-
11 Maintenance of Plant	33,879,737	27,527,471	6,052,266	300,000	-	300,000	0.89
12 Fixed Charges	406,540,560	125,896,547	279,944,013	700,000	-	700,000	0.17
14 Community Services	50,000	50,000	-	-	-	-	-
Subtotal	1,936,579,240	1,489,833,484	443,745,756	3,000,000	-	3,000,000	0.15
61 Food Services	46,841,144	23,119,307	23,721,837	-	-	-	-
51 Real Estate Management	2,549,103	1,615,103	934,000	-	-	-	-
71 Field Trip	2,199,661	391,394	1,808,267	-	-	-	-
81 Entrepreneurial Activities	1,561,075	809,189	751,886	-	-	-	-
37 Instructional Television	1,582,830	1,226,061	356,769	-	-	-	-
Supported Projects	85,451,186	55,276,119	30,175,067	-	-	-	-
Total	\$ 2,076,764,239	\$ 1,572,270,657	\$ 501,493,582	\$ 3,000,000	\$ -	\$ 3,000,000	0.14

Note:

(a) Percentage of projected year-end balance to authorized expenditures.

SCHOOLS & ED



**MONTGOMERY COUNTY PUBLIC SCHOOLS**  
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September 18, 2008

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NOTED  
COUNCIL

The Honorable Michael Knapp, President  
Montgomery County Council  
Stella B. Werner Council Office Building  
100 Maryland Avenue  
Rockville, Maryland 20850

Dear *Mike* Mr. Knapp:

I informed the Board of Education yesterday afternoon that I am implementing expenditure restrictions in the current fiscal year. These restrictions go into effect immediately. I have enclosed a copy of my memorandum to the Board of Education as well as the memorandum to the Montgomery County Public Schools executive staff from Mr. Larry A. Bowers, chief operating officer, detailing the operating budget expenditure restrictions.

If you have any questions, please call me or Mr. Bowers at 301-279-3626.

Respectfully,

Jerry D. Weast, Ed.D.  
Superintendent of Schools

JDW:sz


Enclosures

Office of the Superintendent of Schools  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

September 17, 2008

MEMORANDUM

To: Members of the Board of Education

From: Jerry D. Weast, Superintendent of Schools 

Subject: FY 2009 Operating Budget—Expenditure Restrictions

Due to increasing concerns about the economic outlook, I have determined that it is necessary to impose restrictions on expenditures in the current fiscal year. Although Montgomery County has yet to initiate a budget savings plan for FY 2009, it is clear that all county agencies, including Montgomery County Public Schools (MCPS), must act to conserve resources this fiscal year to maximize available resources for FY 2010 and succeeding years.

MCPS has contributed almost \$60 million in savings to the county during the past five years that has been used to fund the operating budget for the succeeding year. The reductions already made by the County Council in the approved FY 2009 operating budget and continuing expenditure pressures from rising costs for diesel fuel, employee benefits, and higher than anticipated student enrollment limit the opportunities for mid-year savings. Nevertheless, I am confident that the steps I am announcing will enable us to adjust to unfavorable economic conditions while minimizing the impact on the classroom. I assure you that we will not retreat from our goals and strategies to improve achievement for all students.

I have put into place a comprehensive set of expenditure restrictions, including a hiring freeze. The implementation of these restrictions is described in the attached memorandum that I have directed Mr. Larry A. Bowers, chief operating officer, to issue immediately. My expectation is to provide you with initial savings projections as part of the monthly financial report to be submitted to the Board of Education on November 11, 2008.

I will continue to keep you informed. If you have any questions, please call Mr. Bowers at 301-279-3626 or Dr. Marshall Spatz, director, Department of Management, Budget, and Planning, at 301-279-3547.


JDW:vnb  
Attachment  
Copy to:  
Executive Staff  
Ms. Cullison  
Ms. Cuttitta  
Dr. Newman  
Ms. Romero

Office of the Chief Operating Officer  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

September 16, 2008

MEMORANDUM

To: Executive Staff

From: Larry A. Bowers, Chief Operating Officer 

Subject: FY 2009 Operating Budget Expenditure Restrictions

Due to increasing concerns about the economic outlook, the superintendent of schools has determined that it is necessary to impose restrictions on expenditures in the current fiscal year. These expenditure restrictions are effective immediately and will remain until further notice. Financial projection reports as of September 30, 2008, must include the effect of the expenditure restrictions, including the impact of expected requests for exceptions.

**Background**

The outlook for the county economy and potential operating budget revenue remains weak. The same factors that have been responsible for the national economic slowdown have affected Montgomery County, but not to the same extent. There are some signs of a bottoming out of the county economic weakness, but danger remains that the county economy may be adversely affected by the "undertow" of further national economic deterioration. The overall outlook for the stability of financial markets remains the most significant concern nationally. Locally, expenditure pressures due to fuel prices and other factors that are increasing costs will make it more difficult to achieve budget savings than in previous years. Reductions made in the FY 2009 operating budget have reduced the flexibility to adjust to adverse expenditure pressures or revenue reductions. The current county fiscal outlook indicates a projected FY 2010 gap of \$251 million, not including possible FY 2009 supplemental appropriations. Therefore, there is no alternative to the implementation of expenditure restrictions.

In FY 2008, expenditure restrictions implemented in November achieved significant savings, thanks to the dedication of staff throughout the school system. Montgomery County Public Schools (MCPS) achieved \$14.5 million in net expenditure savings, despite unavoidable deficits for bus fuel and special education expenditures. A total of \$17.9 million in savings, including \$3.4 million in higher than anticipated revenues, was used to fund the FY 2009 operating budget. There is no realistic prospect of making a similar amount of savings in the current year. Because almost 90 percent of the MCPS operating budget consists of salaries and employee benefits, it is difficult to make reductions midyear. This year, it is particularly difficult to make mid-year savings because student enrollment is expected to be at least 1,000 students higher than anticipated. In addition, expenditures for such items as diesel fuel for school buses and tuition payments for special education students who require nonpublic placement are expected to exceed budgeted estimates.



As a result of these economic and fiscal forecasts, it is necessary to take steps to reduce both short-term and long-term fiscal commitments. The restrictions detailed below are effective immediately. Each office will be expected to make only absolutely necessary expenditures. Even expenditures exempt from the restrictions should not be made unless necessary. Without specific authorization, positions that are not exempt from the freeze may not be filled, no equipment may be ordered, and no new commitments may be made for nonposition salaries, contractual services, or consultants. Existing commitments for nonposition expenditures must be reviewed to be sure they are absolutely necessary.

These expenditure restrictions also apply to school-based expenditures, except where exceptions are specifically noted. Enterprise funds are not included in the restrictions. Restrictions on grant expenditures will depend on the terms of specific grants, the details of which are discussed below.

### Positions

1. All position vacancies are frozen, with the following exceptions:
  - Principals
  - Special education teachers, speech pathologists, and occupational/physical therapists
  - English for Speakers of Other Languages (ESOL) vacancies that can be filled by increasing the assignment of an already employed ESOL teacher
  - Bus operators and attendants
  - Building service managers
  - School administrative secretaries
  - Secretary I positions in elementary schools
  - Security team leaders
  - Security assistants in middle schools
  - Special education paraeducators
  - Interpreters
2. All vacant classroom teacher and school counselor positions will be filled by long-term substitutes. All non-teaching teacher level positions are frozen. Exceptions must have prior approval.
3. Schools that have already filled a position vacancy with a temporary employee can continue this employment until the designated end date on the Form 460-2. End dates will not be extended. Hours for the employee cannot be increased beyond the current allocation. This exemption is only for temporary employees who are filling vacancies.
4. All vacant lunch hour aide positions must be filled as temporary part-time.
5. All other school-based supporting services staff positions, including paraeducator positions, are frozen. Unless specifically approved, existing paraeducators may not be authorized for additional time.

6. Supporting services employees who work part-time temporary hours above their position allocations, doing the same work, may be paid at their hourly rate.
7. Positions in enterprise funds are exempt from the freeze.
8. Other position vacancies may not be filled unless job offers have been made and accepted as of September 30, 2008. Positions that have been advertised but not yet filled are frozen. If there is any question as to the date of a job offer, contact the Department of Recruitment and Staffing.

### **Other Salaries**

1. Overtime—Only emergency overtime is permitted. Except for emergency overtime in the departments of Transportation and Facilities Management, all emergency overtime must be preapproved by the responsible associate superintendent according to existing procedures. Overtime in nonemergency situations must not be authorized.
2. Temporary employment is frozen, with the following exceptions:
  - Per diem psychologists
  - Bus operator and bus attendant substitutes
  - Interpreters/translators
  - Home and hospital instructors
  - School-based clerical/guidance allocations
  - School Improvement Plan expenditures
  - Lunch hour aides
3. School allocations for nonposition salaries for staff development substitutes, the Professional Learning Communities Institute (PLCI) activities, and collaborative planning time in the 11 Middle School Reform schools are exempt.
4. All nonschool-based temporary employment requires a prior exception. Unless an exception is specifically authorized, all previously authorized part-time temporary employment must cease after October 10, 2008.
5. Use of substitutes for Professional Learning Community Institute (PLCI) activities is frozen.

### **Contractual Services**

1. New Contractual Commitments—No new contractual commitments may be made except for emergency repairs, waste disposal, speech and language and interpretation services, and the extension of existing maintenance agreements for copiers or computers. This restriction also applies to school-based expenditures.

2. Existing Contractual Commitments—Each office must review contractual service encumbrances to see if they can be cancelled. Each office must submit its contractual services spending plan with all commitments noted as part of the monthly financial report submission.
3. Consultants—All commitments for consultant services will require an exception. Services under ongoing consultant contracts must cease after October 10, 2008, unless specifically authorized through the exception process. Offices should submit their plans to use consultants for the rest of the fiscal year by October 6, 2008, in order to ensure continuation of consultants after October 10, 2008.

### **Supplies and Materials**

1. Spending of instructional materials, PLCI funds, and school improvement plan (SIP) funds can continue for purchasing instructional materials for students, media materials, textbooks, and training materials. Spending on staff stipends for SIP and PLCI implementation can continue as planned. However, use of substitutes for PLCI activities is not permitted. Restrictions to spending on these accounts will include purchasing of food, beverages, and student/staff incentives. Also, PLCI and SIP accounts cannot be used to fund travel, conferences, contractual, or consultant charges.
2. Building services supplies are exempt from the freeze.
3. For all nonschool-based offices, supplies and materials may be ordered only to permit employees to continue essential duties. All requests for nonschool-based supplies and materials orders require an approved exception.
4. Materials and supplies for maintenance work, vehicle maintenance, and printing are exempt.
5. Printing orders for new items must be authorized in writing by a primary account manager before the Electronic Graphics and Publishing Unit may accept them. All Copy Plus orders from schools will be approved.

### **Other Expenditures**

1. Staff will continue to be reimbursed for local travel.
2. Travel expenditures for employee recruitment may proceed.
3. Travel expenditures that are the result of negotiated agreements may proceed. All other travel and conference commitments, including those paid by SIP and PLCI funds are frozen.
4. Employees must not arrange travel expenditures or make commitments to participate in out-of-state conferences unless the travel has been previously authorized. Any arrangements made after this notification will not be honored.
5. Expenditures for dues, registrations, and subscriptions require an approved exception.

6. PLCI and SIP accounts cannot be used to fund contractual or consultant changes.

### **Furniture and Equipment**

1. All furniture and equipment purchases are frozen unless there is an approved exception.
2. The acquisition of school buses is exempt from this restriction.
3. Any new lease or master lease commitments require an approved exception.

### **Grants**

1. Expenditures for nonbudgeted grants (i.e., competitive grants that have no local component) are exempt from expenditure restrictions. These grants must be spent according to the terms of the grant. Project managers should check with their budget specialist to determine if a grant falls within this category.
2. Budgeted grants that have a local component (i.e., grants that include locally funded expenditures as part of the budgeted program) are subject to expenditure restrictions. These grants also must be expended according to the terms of the grant, but all expenditures not otherwise exempt under the provisions listed above must be scrutinized for opportunities to shift local expenditures to the grant. Grant managers must request exceptions to authorize expenditures in these grants, unless otherwise exempt, and show why it is not possible to shift locally funded expenditures to the grant.
3. Project managers for budgeted grants must prepare expenditure plans for FY 2009 showing how they plan to spend out the grant within the fiscal year. These plans must be submitted to the Department of Management, Budget, and Planning no later than October 31, 2008.

### **Exception Process**

1. Exceptions to the freeze are permitted only for emergencies or other absolutely unavoidable expenditures if authorized by the chief operating officer.
2. Any exceptions must be requested using the standard freeze exception form (Attachment A) to the chief operating officer through the director of the Department of Management, Budget, and Planning from the deputy superintendent of schools, chief operating officer, chief of staff, chief school performance officer, chief academic officer, chief technology officer, or an associate superintendent. Secondary account managers may not directly request an exception.
3. Exception requests must describe why the proposed expenditure is an emergency or absolutely unavoidable, and why the unit cannot realign other funds to meet the emergency.
4. A committee consisting of the director of the Department of Management, Budget, and Planning, the chief financial officer, and representatives of the deputy superintendent of schools and the

chief operating officer will make a recommendation to the chief operating officer regarding all exception requests. The decision of the chief operating officer will be final.

5. The chief operating officer may announce additional expenditure restrictions. Executive staff should remain alert for these announcements.

Requests for approval of exceptions must be justified according to the following criteria:

1. Emergency spending that cannot be avoided without endangering health or safety
2. Expenditures for supplies and materials absolutely necessary for employees to continue assigned duties
3. Unavoidable contractual commitments
4. Expenditures without which essential operations could not continue
5. Expenditures for which no alternative revenue sources, such as grants, are available

Until exceptions are approved, no expenditure should be made that would conflict with these criteria.

#### **Orientation**

An orientation meeting to explain the FY 2009 expenditure restrictions and the process for applying for exceptions will be held in the Board Room on Monday, September 22, 2008, from 10:00 a.m. to 11:00 a.m. All account managers should attend this meeting. Immediately after the orientation, there will be a special meeting for grants managers to review the provisions concerning grant expenditures.

I want to thank you for your cooperation. These expenditure restrictions are absolutely essential to maintain the high quality of instruction for all of our children despite growing fiscal constraints.

If you have any questions, please contact Dr. Marshall Spatz, director, Department of Management, Budget, and Planning, at 301-279-3547 or me.

LAB:vnb

Attachment

Copy to:

Mr. Ikheloa  
Ms. DeGraba  
Mr. Doody  
Ms. Woodburn  
Ms. Cullison  
Ms. Cuttitta  
Dr. Newman  
Ms. Romero

# FY 2009 Freeze Exception Request

Office/Department Name: \_\_\_\_\_

Item Description: \_\_\_\_\_

Use a separate form for each request. You may attach additional information on a separate sheet.

Account #	Position/Account Name	FTE	Account Balance	Requested Amount	*Request Criteria #
<b>TOTAL</b>		0.0	\$0.00	\$0.00	

## Action Summary

Freeze Committee	Log Number	Comments	Decision
			Approved
			Denied
			Other

Why is this expenditure/position necessary?

If denied, what are the consequences?

\*Choose all that apply

1. Emergency spending that cannot be avoided without endangering health and safety.
2. Expenditures for supplies and materials necessary for employees to continue assigned duties
3. Unavoidable contractual commitments.
4. Expenditures without which essential operations/programs could not continue.
5. Expenditures for which no alternative revenue sources, such as grants, are available.

Recommended:

Recommended:

Recommended:

Approved:

Supervisor/Coordinator      Date

Director      Date

Associate Superintendent      Date

Chief Operating Officer      Date